

Message Text

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ORIGIN STR-07

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FM SECSTATE WASHDC
TO AMEMBASSY OTTAWA

LIMITED OFFICIAL USE STATE 181852

FOLLOWING REPEAT GENEVA 10831 ACTION SECSTATE DATED JULY 14, 1978.

QUOTE: LIMITED OFFICIAL USE GENEVA 10831

PASS STR ELECTRONICALLY

E.O. 11652: N/A
TAGS: ETRD, GATT, CA
SUBJECT: GATT ARTICLE XXVIII NEGOTIATIONS WITH CANADA
ON FRUITS AND VEGETABLES

REF: (A) GENEVA 9924, (B) STATE 168290

1. SUMMARY: AT SECOND ROUND OF NEGOTIATIONS CANDEL
OFFERED MARGINAL CHANGES IN DUTY INCREASES ON SEVERAL
U.S. SENSITIVE ITEMS AND SLIGHT ADDITIONAL COMPENSATION
IF U.S. WOULD AGREE TO CANADIAN MTN PROPOSAL FOR HARMONI-
ZATION OF POTATO DUTIES. USDEL SAID CANADIAN OFFER FELL
FAR SHORT OF U.S. REQUIREMENTS AND TABLED "BOTTOM LINE
PROPOSAL" FOR SETTLEMENT OF NEGOTIATION INVOLVING MODIFI-
CATIONS OF PROPOSED ACTIONS ON SEVEN SENSITIVE ITEMS AND
FIVE OTHER ITEMS, ALL CONCESSIONS INCLUDED IN ORIGINAL
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CANADIAN PACKAGE PROPOSAL, AND COMPENSATORY CONCESSIONS
ON SIX OTHER ITEMS. USDEL SAID CANADIAN ACCEPTANCE COULD
BE CONTINGENT ON A MUTUALLY ACCEPTABLE MTN POTATO DEAL
BUT WARNED THAT REJECTION WOULD LEAD TO COMPENSATORY
WITHDRAWALS. INITIAL CANADIAN REACTION WAS NEGATIVE,
BUT CANDEL PREFERRED TO LET ISSUE PERCOLATE BEFORE PRO-
VIDING FORMAL REPLY. NO DATE SET FOR NEXT ROUND. END
SUMMARY.

2. U.S. AND CANADIAN DELEGATIONS MET IN GENEVA JULY 10

AND 11 FOR SECOND ROUND OF SUBJECT NEGOTIATIONS. GIFFORD (CANADIAN MTN DEL) HEADED CANADIAN SIDE, BUT TRANT (AGRICULTURE), LOOMER (FINANCE) AND, ON SECOND DAY, AMB. GREY PARTICIPATED ACTIVELY IN DISCUSSION. STEWART (STR) CHAIRED USDEL COMPOSED OF SINDELAR, COOK AND HEIMPEL (ALL USDA) WITH PARTICIPATION OF STARKEY (STR), KOPP (STATE) AND LAVOREL (U.S. MISSION).

3. USDEL OPENED ROUND BY RECALLING JUNE 29 DISCUSSION AND AGAIN ASKING WHAT ACTION GOC WOULD BE WILLING TO TAKE ON SENSITIVE ITEMS IF U.S. AND CANADA COULD REACH MUTUALLY SATISFACTORY MTN DEAL ON POTATOES. AFTER UNSUCCESSFULLY PRESSING USDEL FOR USG THINKING ON OUTLINES OF POTATO DEAL, CANDEL REPLIED THAT IF CANADIAN HARMONIZATION PROPOSAL WERE ACCEPTED, GOC WOULD BE WILLING TO: (A) REDUCE PROPOSED DUTY ON CANNED FRUIT MIX (10607-1) FROM 15 TO 12.5 PERCENT, (B) REDUCE PROPOSED DUTIES ON STRAWBERRIES FOR PROCESSING (EX 10704-1) FROM 5 CENTS/LB (BUT NOT LESS THAN 17.5 PERCENT) TO 3.5 CENTS/LB (BUT NOT LESS THAN 15 PERCENT) AND ON STRAWBERRIES, NOP (EX 10704-1) FROM 20 PERCENT TO 15 PERCENT, (C) REDUCE PROPOSED DUTY ON FRESH SWEET CHERRIES, NOP (EX 9203-1) FROM 5 CENTS/LB (BUT NOT LESS THAN 12.5 PERCENT) IN A 10-WEEK DUTY PERIOD TO 3.5 CENTS/LB (BUT NOT LESS THAN 10 PERCENT) IN A LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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NINE-WEEK DUTY PERIOD WITH A FREE RATE FOR THE REMAINDER OF THE YEAR IN BOTH CASES, AND (D) MAKE AN UNSPECIFIED REDUCTION IN PROPOSED DUTY ON LETTUCE (8715-1). CANDEL ALSO MADE FOLLOWING ADDITIONAL COMPENSATORY OFFERS: (A) GRAPEFRUIT JUICE (15206-1): REDUCE FROM FIVE PERCENT TO THREE PERCENT, (B) BLENDED ORANGE AND GRAPEFRUIT JUICE (15207-1): REDUCE FROM FIVE PERCENT TO THREE PERCENT, (C) CURRANTS (9950-1): REDUCE FROM TWO CENTS/LB TO FREE, AND (D) FROZEN SPINACH (EX 9004-1): REDUCE FROM 17.5 PERCENT TO FREE. USDEL COMMENTED INFORMALLY THAT CANADIAN PROPOSAL APPEARED TO FALL FAR SHORT OF ACTION REQUIRED ON SENSITIVE ITEMS BUT PROMISED A FORMAL REPLY ON FOLLOWING DAY.

4. WHEN TWO DELEGATIONS MET JULY 11, USDEL PRESENTED WHAT IT DESCRIBED AS "BOTTOM LINE PROPOSAL" (CLEARED WITH AGENCY REPRESENTATIVES IN GENEVA) FOR SETTLEMENT OF NEGOTIATIONS. USDEL NOTED THAT BOTH SIDES WERE AGREED ON POLITICAL SENSITIVITY OF NEGOTIATIONS IN U.S. AND CANADA AND ON UNFORTUNATE IMPLICATIONS FAILURE TO REACH AGREEMENT WOULD HAVE FOR MTN. WHILE MOST ARTICLE XXVIII NEGOTIATIONS WERE LEISURELY AFFAIRS, NEITHER SIDE COULD AFFORD THAT LUXURY IN THIS CASE DUE TO MTN LINKAGE. FOR THIS REASON U.S. WAS PUTTING FORWARD COMPROMISE SOLUTION, BALANCED ECONOMICALLY AND POLITICALLY, WITH FOLLOWING ELEMENTS:

A. CANADA WOULD MAKE FOLLOWING MODIFICATIONS IN PROPOSED ACTIONS ON SENSITIVE ITEMS:

(1) FRESH ASPARAGUS (8702-1): REDUCE DUTY PERIOD FROM 14 TO SIX WEEKS.

(2) CANNED FRUIT MIX (10607-1): MAINTAIN EIGHT PERCENT A.V.E. OF PRESENT DUTY.

(3) TOMATO PASTE (8905-2): MAINTAIN FIVE PERCENT LIMITED OFFICIAL USE
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A.V.E. OF PRESENT DUTY.

(4) FROZEN STRAWBERRIES (EX 10704-1): ESTABLISH DUTY OF TWO CENTS/LB NET WEIGHT (BUT NOT LESS THAN SIX PERCENT). (1975-77 A.V.E.: 5.5 PERCENT.)

(5) LETTUCE (8715-1): REDUCE PROPOSED DUTY PERIOD FROM 20 TO 12 WEEKS.

(6) FRESH SWEET CHERRIES (9203-1): CONFIRM OFFER OF 3.5 CENTS/LB (BUT NOT LESS THAN 10 PERCENT) BUT REDUCE PROPOSED DUTY PERIOD FROM 10 WEEKS TO CURRENT SEVEN WEEKS.

(7) FRESH PEARS (9206-1): AMEND PROPOSED RATE IN DUTY PERIOD TO 12.5 PERCENT AND SHORTEN PROPOSED DUTY PERIOD FROM 26 WEEKS TO 22 WEEKS.

B. CANADA WOULD ALSO MAKE FOLLOWING MODIFICATIONS IN PROPOSED DUTY CHANGES ON OTHER PRODUCTS:

(1) CABBAGE (8706-1): REDUCE DUTY PERIOD FROM PROPOSED 34 WEEKS TO 26 WEEKS.

(2) CELERY (8709-1): REDUCE DUTY PERIOD FROM PROPOSED 24 WEEKS TO 12 WEEKS.

(3) ONIONS, NOP (8717-1): REDUCE DUTY PERIOD FROM 46 WEEKS TO 38 WEEKS.

(4) TOMATOES (8724-1): REDUCE DUTY PERIOD FROM 32 WEEKS TO 24 WEEKS.

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(5) RADISHES (8729-1): ELIMINATE PROPOSED PRE-

PACKAGING DUTY.

C. CANADA WOULD GRANT FOLLOWING COMPENSATORY CONCESSIONS (CURRENT RATES IN PARENTHESES):

(1) RAISINS (9915-1): FREE (1.5 CENTS/LB.)

(2) GRAPEFRUIT JUICE (15206-1): FREE (FIVE PERCENT)

(3) BLENDED ORANGE AND GRAPEFRUIT JUICE (15207-1): FREE (FIVE PERCENT).

(4) PRUNE JUICE (71105-1): FREE (FIVE PERCENT).

(5) FROZEN SPINACH (EX 9004-1): FREE (17.5 PERCENT).

(6) PEAS, NOP, AND LENTILS (4800-1): FREE (0.75 CENTS/LB.)

D. AS BALANCE OF COMPENSATION OWED FOR REMAINING TARIFF INCREASES ABOVE GATT-BOUND LEVELS, U.S. WOULD THEN ACCEPT THE DECREASES BELOW GATT-BOUND LEVELS INCLUDED IN ORIGINAL CANADIAN PACKAGE PROPOSAL.

5. IN PRESENTING PROPOSAL USDEL POINTED OUT THAT U.S. WAS NOT ASKING FOR MODIFICATIONS ON CANNED PEACHES, CANNED TOMATOES, AND CANNED CORN. FIRST TWO WERE EXCLUDED BECAUSE U.S. APPRECIATED THEIR EXTREME POLITICAL SENSITIVITY IN CANADA, BUT FOR ANALAGOUS REASON U.S. INSISTED ON STANDSTILL FOR FRUIT MIX AND TOMATO PASTE TO LESSEN IMPACT ON U.S. CANNING PEACH AND TOMATO INDUSTRIES. USDEL ALSO RECOGNIZED IMPORTANCE OF POTATO ISSUE IN CANADA AND OFFERED TO PERMIT CANADIAN ACCEPTANCE OF PROPOSAL CONTINGENT ON A MUTUALLY ACCEPTABLE AGREEMENT REGARDING U.S. AND CANADIAN DUTIES ON FRESH LIMITED OFFICIAL USE
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POTATOES IN MTN. HOWEVER, FAILURE TO ACCEPT PROPOSAL WOULD FORCE U.S. TO WITHDRAW CONCESSIONS INITIALLY NEGOTIATED WITH CANADA TO RESTORE BALANCE OF CONCESSIONS IF CANADA INSTITUTED PROPOSED INCREASES ABOVE GATT-BOUND RATES.

6. INITIAL CANADIAN REACTION WAS NEGATIVE. GREY TESTILY ASSERTED THAT U.S. PROPOSAL "WOULD NOT FLY," THAT IT WOULD ONLY SUCCEED IN ANGERING MINISTERS AND THAT NEGOTIATIONS SHOULD BE "PUT ON SHELF" UNTIL AFTER SUMMIT SINCE U.S. PROPOSAL DID NOT PROVIDE SATISFACTORY BASIS FOR DISCUSSION. HE EVENTUALLY PROMISED THAT CANADIANS WOULD STUDY PROPOSAL, BUT SESSION ADJOURNED WITHOUT SETTING DATE FOR FUTURE MEETING.

7. IN TELEPHONE CONVERSATION JULY 12, GIFFORD TOLD STEWART THAT CANADIANS WOULD PREFER TO "LET MATTERS PERCOLATE" BEFORE RESUMING NEGOTIATIONS. STEWART NOTED U.S. UNDERSTANDING THAT BALL WAS IN CANADIAN COURT AND ASKED GIFFORD TO ADVISE MISSION WHEN CANDEL WISHED TO MEET AGAIN.

8. COMMENT: (A) USDEL PREPARED FOLLOWING ANALYSIS ON TRADE-AFFECTED BASIS OF JULY 11 PROPOSAL (BUT DID NOT SUPPLY COPY TO CANADIANS):

A

- (\$000)
ORIGINAL TRADE IMPAIRED: C\$123,506

ESTIMATED REDUCTION OF IMPAIRMENT
ON SENSITIVE ITEMS UNDER U.S. PROPOSAL -33,872

ESTIMATED REDUCTION OF IMPAIRMENT (OR
NET BENEFIT) ON OTHER 5 ITEMS UNDER
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U.S. PROPOSAL -13,475

COMPENSATORY CONCESSIONS REQUESTED BY U.S. -18,518

ALREADY ACCEPTED COMPENSATION INCLUDED IN
ORIGINAL CANADIAN PACKAGE PROPOSAL -33,382

BALANCE TO BE COVERED BY OTHER
COMPENSATION INCLUDED IN ORIGINAL CANADIAN
PACKAGE PROPOSAL (TOTAL TRADE VALUE:
C\$51,193) C\$ 24,259

(B) USDEL BELIEVES THAT PROPOSAL COULD HAVE SERVED AS BASIS FOR SETTLEMENT THIS WEEK IF SUFFICIENT MOMENTUM HAD DEVELOPED IN MTN. IN ABSENCE OF PROSPECTIVE MTN SETTLEMENT CANADIANS OBVIOUSLY DID NOT FEEL PRESSURE TO MAKE HARD DECISIONS NECESSARY TO CONCLUDE A DEAL. THEY PROBABLY ALSO RECOGNIZED THAT ACCESSION TO U.S. REQUESTS WOULD BE DIFFICULT TO PRESENT TO CANADIAN AGRICULTURAL INTERESTS IN ABSENCE OF CONCURRENT U.S. MTN CONCESSIONS. USDEL RECOMMENDS, THEREFORE, THAT WE TAKE NO FURTHER ACTION AT THIS TIME AND WAIT FOR CANADIAN INITIATIVE.
VANDEN HEUVEL UNQUOTE CHRISTOPHER
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Message Attributes

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